

**GRANT WOOD AREA EDUCATION AGENCY 10  
Cedar Rapids, Iowa**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
FINDINGS AND QUESTIONED COSTS  
June 30, 2004**

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## GRANT WOOD AREA EDUCATION AGENCY 10

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Directors:		
Dr. Lynne Cannon	President	2004
James C. Green	Vice President	2004
Janet Martin	Member	2004
Marlene Hill	Member	2005
William H. Carmichael	Member	2005
Robert Schneider	Member	2005
Randall W. Jordison	Member	2006
Sue Gates	Member	2006
Morris Greenfield	Member	2006
Agency:		
Ronald S. Fielder	Administrator	
Ronald Bowers	Business Manager/Treasurer	
Kim Martin	Board Secretary	

## **Independent Auditor's Report**

To the Board of Education of the  
Grant Wood Area Education Agency 10

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Grant Wood Area Education Agency 10, Cedar Rapids, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the Area Education Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Agency officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Grant Wood Area Education Agency 10 as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 24, 2004 on our consideration of Grant Wood Area Education Agency 10's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 9 and 28 through 29 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grant Wood Area Education Agency 10's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clifton Gunderson LLP*

Cedar Rapids, Iowa  
September 24, 2004

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Grant Wood Area Education Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

### **2004 FINANCIAL HIGHLIGHTS**

□

- General Fund Revenues increased from \$32,718,739 in fiscal year 2003 (FY03) to \$33,895,140 in fiscal year 2004 (FY04), while General Fund Expenditures increased from \$32,007,435 in FY03 to \$33,384,582 in FY04. General Fund net change in fund balance increased from (\$722,422) in FY03 to \$172,562 in FY04. This resulted in a increase in the Agency's General Fund fund balance from \$2,595,188 in FY03 to \$2,767,750 in FY04.
- The increase in General Fund revenues was attributable to increased state aid and federal grant revenue in FY04. The increase in expenditures was due primarily to an increase in services provided to the local school districts.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Grant Wood Area Education Agency as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, and Supplementary Information provides detailed information about other items of interest.

### **REPORTING THE AGENCY AS A WHOLE**

The Statement of Net Assets and the Statement of Activities

The Government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Agency's assets and liabilities. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the Agency's net assets and how they have changed. Net assets – the difference between the Agency's assets and liabilities – are one way to measure the Agency's financial health or position.

- Over time, increases or decreases in the Agency's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, additional non-financial factors, such as changes in the Agency's property tax base and the condition of its facilities, need to be considered.

In the Government-wide financial statements, there are two categories of activities:

- *Governmental activities:* Represent basic Agency services; such as regular and special education instructions, student and instructional staff support services and administration. Local school districts, federal, and state aid finance most of these activities. All of Grant Wood Area Education Agency's services fall into this category.
- *Business-type activities:* Represent activities where the Agency charges fees to cover the costs of providing the service. The Agency has no activities that fall into this category.

#### The Fund Financial Statements

The fund financial statements provide detailed information about the Agency's funds, focusing on its most significant or "major" funds – not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law or by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for major construction projects or to show that it is properly using certain revenues, such as federal grants.

The Agency has two kinds of funds:

- 1) *Governmental funds* account for most of the Agency's basic services. These focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements. The Agency's governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, 3) the Debt Service Fund, and 4) the Capital Projects Fund.

The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

- 2) *Fiduciary funds* account for assets held by the Agency as an agent for individuals, private organizations, or other governments that cannot be used to support their own governmental activities or programs. The fiduciary funds held by Grant Wood are agency fund types, held on a temporary, purely custodial basis, therefore, these activities are not included in the Agency's government-wide financial statements.

The fiduciary funds required financial statements include a statement of fiduciary net assets and a statement of changes in fiduciary net assets. However agency type funds do not have net assets, therefore, this statement is not prepared.

A summary reconciliation between the Government-wide financial statements and the fund financial statements follows the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Grant Wood Area Education Agency's net assets at the end of fiscal year 2004 totaled approximately \$8.7 million. This compared to approximately \$8.4 million at the end of fiscal 2003. The analysis that follows focuses on the net assets and changes in net assets. The agency does not have business-type activities, therefore, that column, although shown, is zero.

<b>Consended Statement of Net Assets</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Current and other assets	\$8,474,677	\$9,529,420	\$ -	\$ -	\$8,474,677	\$9,529,420
Capital assets	<u>7,518,261</u>	<u>7,709,781</u>	<u>-</u>	<u>-</u>	<u>7,518,261</u>	<u>7,709,781</u>
Total assets	<u>15,992,938</u>	<u>17,239,201</u>	<u>-</u>	<u>-</u>	<u>15,992,938</u>	<u>17,239,201</u>
Long-term obligations	2,135,000	2,542,500	-	-	2,135,000	2,542,500
Other liabilities	<u>5,140,519</u>	<u>6,278,355</u>	<u>-</u>	<u>-</u>	<u>5,140,519</u>	<u>6,278,355</u>
Total liabilities	<u>7,275,519</u>	<u>8,820,855</u>	<u>-</u>	<u>-</u>	<u>7,275,519</u>	<u>8,820,855</u>
Net assets:						
Invested in capital assets, net of related debt	5,203,261	5,167,281	-	-	5,203,261	5,167,281
Restricted	1,212,591	1,229,018	-	-	1,212,591	1,229,018
Unrestricted	<u>2,301,567</u>	<u>2,022,047</u>	<u>-</u>	<u>-</u>	<u>2,301,567</u>	<u>2,022,047</u>
Total net assets	<u>\$8,717,419</u>	<u>\$8,418,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,717,419</u>	<u>\$8,418,346</u>



The following analysis details the changes in net assets of Grant Wood Area Education Agency's activities.

	<b>Changes in Net Assets</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Revenues:						
Program revenues:						
Charges for services	\$4,451,143	\$3,984,432	\$ -	\$ -	\$4,451,143	\$3,984,432
Operating grants and contributions	31,877,702	30,773,736	-	-	31,877,702	30,773,736
General revenues:						
Unrestricted investment earnings	<u>12,634</u>	<u>13,805</u>	<u>-</u>	<u>-</u>	<u>12,634</u>	<u>13,805</u>
Total revenues	<u>36,341,479</u>	<u>34,771,973</u>	<u>-</u>	<u>-</u>	<u>36,341,479</u>	<u>34,771,973</u>
Program expenses:						
Instruction	2,936,853	2,553,479	-	-	2,936,853	2,553,479
Student support services	20,287,683	19,375,364	-	-	20,287,683	19,375,364
Instructional staff support services	4,892,100	4,821,119	-	-	4,892,100	4,821,119
General administration	1,068,833	1,193,791	-	-	1,068,833	1,193,791
Building administration	1,413,081	1,262,465	-	-	1,413,081	1,262,465
Business administration	1,007,277	1,132,556	-	-	1,007,277	1,132,556
Plant operations and maintenance	893,852	1,025,476	-	-	893,852	1,025,476
Central and other support services	3,393,991	2,883,361	-	-	3,393,991	2,883,361
Non-instructional programs	907	50,470	-	-	907	50,470
Capital outlay	53,753	98,552	-	-	53,753	98,552
Unallocated	34,168	49,281	-	-	34,168	49,281
Long-term debt interest	59,908	65,293	-	-	59,908	65,293
Reversion of state aid	<u>-</u>	<u>964,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>964,357</u>
Total expenses	<u>36,042,406</u>	<u>35,475,564</u>	<u>-</u>	<u>-</u>	<u>36,042,406</u>	<u>35,475,564</u>
Increase (decrease) in net assets	299,073	(703,591)	-	-	299,073	(703,591)
Net assets, beginning of year	<u>8,418,346</u>	<u>9,121,937</u>	<u>-</u>	<u>-</u>	<u>8,418,346</u>	<u>9,121,937</u>
Net assets, end of year	<u>\$8,717,419</u>	<u>\$8,418,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$8,717,419</u>	<u>\$8,418,346</u>

Operating grants and contributions from local, state and federal sources account for 87.7% in FY04 and 88.5% in FY03 of the total revenue. The Agency's expenses primarily relate to instruction and support services, which account for 78.0% in FY04 and 75.4% in FY03 of the total expenses.

### **Governmental Activities**

Revenues for governmental activities were \$36,341,479 in FY04 and \$34,771,973 in FY03 and expenses were \$36,092,713 in FY04 and \$35,475,564 in FY03. In a difficult budget year with unstable future funding sources, the Agency was able to instigate cost saving measures to keep the revenues and operating expenditures relatively balanced.

### **FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS**

As previously noted, Grant Wood Area Education Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's Governmental Funds reported combined fund balances of \$3,599,607, above last year's ending fund balances of \$3,350,841.

### **BUDGETARY HIGHLIGHTS**

The Agency's Board of Directors annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure level, not at the fund or fund type level. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board. Over the course of the year, the Agency amended its annual operating budget one time to reflect adjustments to revenue and expenditures associated with the services needed and provided to the local school districts. A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the required supplementary information section of this report.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2004, the Agency had invested \$7.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers, equipment, and an extensive library/media collection. This is a net decrease of approximately \$190,000 from last year.

Grant Wood Area Education Agency had depreciation expense of \$934,177 in FY04 and total accumulated depreciation of \$7,889,707 at June 30, 2004. More detailed information about capital assets is available in Note 4 to the financial statements.

#### **Debt**

At June 30, 2004, the Agency had \$2,135,000 in long-term debt outstanding compared to \$2,542,500 at June 30, 2003. The long-term debt is in the form of capital lease purchase agreements. More detailed information about the Agency's long-term liabilities is available in Note 5 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the Agency was aware of several existing circumstances that could significantly affect its financial health in the future:

- The Agency has experienced an increase in the number of students being served by its programs in the past three years. A slight increase in enrollment is expected and included in the FY05 budget.
- The State of Iowa continues to report revenue shortfalls as compared to estimated revenues. Therefore another cut in state aid could occur in FY05 or beyond.

## **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office of Grant Wood Area Education Agency, 4001 6<sup>th</sup> Street SW, Cedar Rapids, Iowa 52404.

## **BASIC FINANCIAL STATEMENTS**

**GRANT WOOD AREA EDUCATION AGENCY 10****Exhibit A****Statement of Net Assets****June 30, 2004**

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,633,112
Receivables:	
Accounts	1,438,116
Interfund receivables	-
Due from other governments	5,295,448
Inventories	52,427
Prepaid expenses	55,574
Capital assets, net of accumulated depreciation	<u>7,518,261</u>
Total assets	<u>15,992,938</u>
<b>LIABILITIES</b>	
Accounts payable	846,908
Salaries and benefits payable	2,396,806
Agency funds payable	1,174,208
Accrued other	169,771
Deferred revenue - local	372,826
Long-term liabilities:	
Portion due within one year:	
Certificates of participation	180,000
Portion due after one year:	
Certificates of participation	<u>2,135,000</u>
Total liabilities	<u>7,275,519</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	5,203,261
Restricted for:	
Phase III	81,627
Technology	32,519
Media materials	264,250
Education services projects	423,468
Special education instruction	118,825
Debt service	291,902
Unrestricted	<u>2,301,567</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 8,717,419</u></b>

These financial statements should be read only in connection  
with the accompanying notes to financial statements.

## GRANT WOOD AREA EDUCATION AGENCY 10

## Exhibit B

## Statement of Activities

June 30, 2004

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 2,936,853	\$ 2,106,244	\$ 810,648	\$ (19,961)
Student support services	20,287,683	661,455	11,263,368	(8,362,860)
Instructional staff support services	4,892,100	327,226	1,044,994	(3,519,880)
General administration	1,068,833	27,660		(1,041,173)
Building administration	1,413,081	-	-	(1,413,081)
Business administration	1,007,277	7,938	14,961	(984,378)
Plant operations and maintenance	893,852	6,151		(887,701)
Central and other support services	3,393,991	1,314,469	383,254	(1,696,268)
Noninstructional programs	907			(907)
Capital outlay	53,753			(53,753)
Unallocated	34,168		18,360,477	18,326,309
Interest on long-term debt	<u>59,908</u>			<u>(59,908)</u>
Total governmental activities	<u>\$ 36,042,406</u>	<u>\$ 4,451,143</u>	<u>\$ 31,877,702</u>	286,439
<b>GENERAL REVENUES:</b>				
Unrestricted investment earnings				<u>12,634</u>
<b>CHANGE IN NET ASSETS</b>				299,073
<b>NET ASSETS, BEGINNING OF YEAR</b>				<u>8,418,346</u>
<b>NET ASSETS, END OF YEAR</b>				<u>\$ 8,717,419</u>

These financial statements should be read only in connection  
with the accompanying notes to financial statements.

## GRANT WOOD AREA EDUCATION AGENCY 10

Exhibit C

**Balance Sheet**  
**Governmental Funds**

**June 30, 2004**

	<u>General</u>	<u>Nonmajor</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and pooled investments	\$ 851,028	\$ 782,084	\$ -	\$1,633,112
Receivables:				
Accounts	168,716	1,269,400	-	1,438,116
Interfund receivables	1,059,485	-	(1,059,485)	-
Due from other governments	5,295,448	-	-	5,295,448
Inventories	52,427	-	-	52,427
Prepaid expenses	<u>55,574</u>	<u>-</u>	<u>-</u>	<u>55,574</u>
<b>Total assets</b>	<u>\$7,482,678</u>	<u>\$2,051,484</u>	<u>\$(1,059,485)</u>	<u>\$8,474,677</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 838,944	\$ 7,964	-	\$ 846,908
Salaries and benefits payable	2,182,157	129,200	-	2,311,357
Accrued other	169,771	-	-	169,771
Interfund payable	1,174,208	1,059,485	(1,059,485)	1,174,208
Deferred revenue-local	<u>349,848</u>	<u>22,978</u>	<u>-</u>	<u>372,826</u>
<b>Total liabilities</b>	<u>4,714,928</u>	<u>1,219,627</u>	<u>(1,059,485)</u>	<u>4,875,070</u>
Fund balances:				
Reserved for:				
Encumbrances	551,332	-	-	551,332
Inventories	52,427	-	-	52,427
Debt service	-	291,902	-	291,902
Unreserved:				
Designated for subsequent years expenditures	1,061,073	-	-	1,061,073
Undesignated	<u>1,102,918</u>	<u>539,955</u>	<u>-</u>	<u>1,642,873</u>
<b>Total fund balances</b>	<u>2,767,750</u>	<u>831,857</u>	<u>-</u>	<u>3,599,607</u>
<b>Total liabilities and fund balances</b>	<u>\$7,482,678</u>	<u>\$2,051,484</u>	<u>\$(1,059,485)</u>	<u>\$8,474,677</u>

These financial statements should be read only in connection  
with the accompanying notes to financial statements.

**GRANT WOOD AREA EDUCATION AGENCY 10**

**Exhibit D**

**Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets**

**June 30, 2004**

**Total fund balances of governmental funds (page 13)** \$ 3,599,607

***Amounts reported for governmental activities in the  
statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 7,518,261

Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (2,400,449)

**Net assets of governmental activities (page 11)** \$ 8,717,419

These financial statements should be read only in connection with the accompanying notes to financial statements.



**GRANT WOOD AREA EDUCATION AGENCY 10****Exhibit E****Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds****Year Ended June 30, 2004**

	<u><b>General</b></u>	<u><b>Nonmajor</b></u>	<u><b>Total</b></u>
Revenues:			
Local sources	\$ 11,308,836	\$ 1,728,388	\$ 13,037,224
State sources	9,583,019	717,951	10,300,970
Federal sources	<u>13,003,285</u>	<u>-</u>	<u>13,003,285</u>
Total revenues	<u>33,895,140</u>	<u>2,446,339</u>	<u>36,341,479</u>
Expenditures:			
Instruction	605,520	2,330,461	2,935,981
Student support services	20,282,887	-	20,282,887
Instructional staff support services	4,792,394	-	4,792,394
General administration	1,013,995	38,266	1,052,261
Building administration	1,413,081	-	1,413,081
Business administration	1,006,928	-	1,006,928
Plant operations and maintenance	891,464	-	891,464
Central and other support services	3,377,635	-	3,377,635
Noninstructional programs	678	-	678
Debt service	-	287,408	287,408
Capital outlay	<u>-</u>	<u>51,996</u>	<u>51,996</u>
Total expenditures	<u>33,384,582</u>	<u>2,708,131</u>	<u>36,092,713</u>
Excess (deficiency) of revenues over (under) expenditures	<u>510,558</u>	<u>(261,792)</u>	<u>248,766</u>
Other financing sources (uses):			
Transfers in	-	337,996	337,996
Transfers out	<u>(337,996)</u>	<u>-</u>	<u>(337,996)</u>
Total other financing sources (uses)	<u>(337,996)</u>	<u>337,996</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	172,562	76,204	248,766
<b>Fund balance, beginning of year</b>	<u>2,595,188</u>	<u>755,653</u>	<u>3,350,841</u>
<b>Fund balance, end of year</b>	<u>\$ 2,767,750</u>	<u>\$ 831,857</u>	<u>\$ 3,599,607</u>

These financial statements should be read only in connection  
with the accompanying notes to financial statements.

**GRANT WOOD AREA EDUCATION AGENCY 10****Exhibit F****Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities****Year Ended June 30, 2004****Net change in fund balances - total governmental funds (page 15)** **\$ 248,766*****Amounts reported for governmental activities in the  
statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as a depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 805,884	
Depreciation expense	(934,177)	
Loss on dispositions	<u>(63,227)</u>	(191,520)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities 227,500

Compensated absences expenditures reported in the governmental funds were expensed in a prior year, therefore, are not reported as expenses in the Statement of Activities 14,327

**Change in net assets of governmental activities (page 12)** **\$ 299,073**

These financial statements should be read only in connection  
with the accompanying notes to financial statements.

**GRANT WOOD AREA EDUCATION AGENCY 10****Exhibit G****Statement of Fiduciary Net Assets  
Fiduciary Funds - Agency****June 30, 2004****Assets**

Accounts receivable	\$ 732,470
Due from other governments	322,883
Interfund receivables	1,174,208
Equipment, net	<u>11,587</u>
<b>Total assets</b>	<b><u>\$2,241,148</u></b>

**Liabilities**

Accounts payable	\$ 639,022
Salaries and benefits payable	21,506
Deferred revenue	547,486
Deposits held in custody for others	<u>1,033,134</u>
<b>Total liabilities</b>	<b><u>\$2,241,148</u></b>

These financial statements should be read only in connection  
with the accompanying notes to financial statements.

# GRANT WOOD AREA EDUCATION AGENCY 10

## Notes to Financial Statements

June 30, 2004

### (1) Summary of Significant Accounting Policies

Grant Wood Area Education Agency 10 (Agency) is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 68 school districts and private schools in a seven-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

#### A. Reporting Entity

For financial reporting purposes, Grant Wood Area Education Agency 10 has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. Grant Wood Area Education Agency 10 has no component units which meet the Governmental Accounting Standards Board criteria.

#### B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the statement of activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the Agency's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

## GRANT WOOD AREA EDUCATION AGENCY 10

### Notes to Financial Statements

June 30, 2004

#### (1) Summary of Significant Accounting Policies (continued)

##### B. Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. The major individual governmental fund is reported as a separate column in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The Agency reports the following major governmental fund:

The General Fund is the general operating fund of the Agency. All general revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Agency Funds are used to account for assets held by the Agency as an agent for individuals, private organizations, and other governments. The Agency Funds are custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

##### C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus. The Government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year end.

# GRANT WOOD AREA EDUCATION AGENCY 10

## Notes to Financial Statements

June 30, 2004

### (1) Summary of Significant Accounting Policies (continued)

#### C. Measurement Focus and Basis of Accounting (continued)

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

#### D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - Cash includes amounts in demand deposits and money market funds. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

All short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Inventories - Inventories are stated at cost using the first-in, first-out method and consist of expendable supplies and materials. The cost of these items is recorded as an expenditure at the time of consumption.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$	1,000
Buildings		1,000
Improvements other than buildings		1,000
Furniture and equipment		1,000
Library books and film		Cost

Property, furniture, and equipment are depreciated using the straight-line method of depreciation and library books are depreciated using the composite method over the following estimated useful lives:

# GRANT WOOD AREA EDUCATION AGENCY 10

## Notes to Financial Statements

June 30, 2004

### (1) Summary of Significant Accounting Policies (continued)

#### D. Assets, Liabilities and Fund Equity (continued)

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Furniture and equipment	5
Library books and film	10

Salaries and Benefits Payable - Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Deferred revenue represents an excess of cash advances by the funding source over accrued expenditures at year end.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the statement of net assets representing the Agency's commitment to fund non-current compensated balances. This liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

Long-term Obligations - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

### (2) Cash and Pooled Investments

The Agency's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

# GRANT WOOD AREA EDUCATION AGENCY 10

## Notes to Financial Statements

June 30, 2004

### (2) Cash and Pooled Investments (continued)

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency's investments are categorized to give an indication of level of risk assumed by the Agency at year-end. The Agency's investments are all Category I, which means the investments are insured or registered or the securities are held by the Agency or its agent in the Agency's name.

The Agency had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization. A portion of these funds is restricted for payments on the certificates of participation.

Unrestricted	\$ 3,871
Restricted for payments	<u>291,902</u>
	<u>\$ 295,773</u>

### (3) Interfund Balances

Interfund balances at June 30, 2004 consisted of the following:

Due to Agency funds from general funds for deposits held in Agency custody	\$ 1,174,208
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Due to general fund from nonmajor special revenue funds for balances that resulted from the time lag between the dates that (1) interfund goods and services are performed or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made	1,059,485
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### (4) Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 242,350	\$ -	\$ -	\$ 242,350
Construction in progress	<u>124,092</u>	<u>-</u>	<u>124,092</u>	<u>-</u>



# GRANT WOOD AREA EDUCATION AGENCY 10

## Notes to Financial Statements

June 30, 2004

### (4) Capital Assets (continued)

	<b><u>Balance Beginning of Year</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Balance End of Year</u></b>
Total capital assets not being depreciated	<u>366,442</u>	<u>-</u>	<u>124,092</u>	<u>242,350</u>
Capital assets being depreciated:				
Buildings	5,944,794	-	-	5,944,794
Leasehold improvements	412,918	198,768	-	611,686
Furniture and equipment	4,522,057	396,794	463,226	4,455,625
Library books and film	<u>4,237,894</u>	<u>334,414</u>	<u>418,795</u>	<u>4,153,513</u>
Total assets being depreciated	<u>15,117,663</u>	<u>929,976</u>	<u>882,021</u>	<u>15,165,618</u>
Less accumulated depreciation for:				
Buildings	2,243,073	118,896	-	2,361,969
Leasehold improvements	33,472	25,654	-	59,126
Furniture and equipment	2,580,554	374,276	399,999	2,554,831
Library books and film	<u>2,917,225</u>	<u>415,351</u>	<u>418,795</u>	<u>2,913,781</u>
Total accumulated depreciation	<u>7,774,324</u>	<u>934,177</u>	<u>818,794</u>	<u>7,889,707</u>
Total capital assets being depreciated, net	<u>7,343,339</u>	<u>(4,201)</u>	<u>63,227</u>	<u>7,275,911</u>
Governmental activities capital assets, net	<u>\$7,709,781</u>	<u>\$ (4,201)</u>	<u>\$ 187,319</u>	<u>\$7,518,261</u>

Depreciation expense was charged to functions of the Agency as follows:

Governmental activities:	
Instruction	\$ 4,251
Student support services	23,394
Instructional staff support services	486,336
General administration	80,831
Business administration	1,704
Plant operations and maintenance	11,650
Central and other support services	149,664
Noninstructional programs	1,115
Facilities acquisition and construction	8,570
Unallocated	<u>166,662</u>
Total governmental activities depreciation expense	<u>\$ 934,177</u>

# GRANT WOOD AREA EDUCATION AGENCY 10

## Notes to Financial Statements

June 30, 2004

### (5) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	<u>Certificates of Participation</u>	<u>Equipment Note</u>	<u>Total</u>
Balance, beginning of year	\$2,485,000	\$ 57,500	\$2,542,500
Additions	-	-	-
Reductions	<u>170,000</u>	<u>57,500</u>	<u>227,500</u>
Balance, end of year	<u>\$2,315,000</u>	<u>\$ -</u>	<u>\$2,315,000</u>

#### Certificates of Participation

The Agency has sold certificates of participation for land, facilities and improvements. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over a period of fifteen years with interest rates ranging from 2.55% to 5.25%. The following is a schedule by year of the future minimum payments required:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 180,000	\$ 111,851	\$ 291,851
2006	190,000	103,965	293,965
2007	195,000	95,330	290,330
2008	200,000	86,188	286,188
2009	215,000	76,628	291,628
Thereafter	<u>1,335,000</u>	<u>331,984</u>	<u>1,666,984</u>
<b>Total</b>	<u>\$ 2,315,000</u>	<u>\$ 805,946</u>	<u>\$ 3,120,946</u>

Payments for the certificates of participation for the year ended June 30, 2004, including interest, totaled \$289,101.

#### Equipment Note

The Agency issued a school equipment purchase note to provide for the payment and authorized reimbursement of expenses for a telephone system. The note matures over a period of five years with the interest rate at 5.75%.

The note required annual payments, including interest at 5.75%. This note was paid in full during the year. Payments under this note for the year ended June 30, 2004, including interest, totaled \$60,806.

## GRANT WOOD AREA EDUCATION AGENCY 10

### Notes to Financial Statements

June 30, 2004

#### (6) Operating Leases

The Agency has leased office equipment and various facilities within the area to house the different divisions of the Agency. These leases have been classified as operating leases and, accordingly, all rents are charged to expenditures as incurred. The leases expire between July 2006 and July 2008. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties and equipment. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2004:

<b><u>Year Ending</u></b> <b><u>June 30</u></b>	<b><u>Amount</u></b>
2005	\$ 218,384
2006	219,928
2007	196,644
2008	190,600
2009	<u>15,883</u>
<b>Total</b>	<b><u>\$ 841,439</u></b>

The total rental expenditures for the year ended June 30, 2004 for all operating leases, except those with terms of a month or less that were not renewed, was \$200,540.

#### (7) Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Agency is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$1,221,255, \$1,218,018, and \$1,165,663, respectively, equal to the required contributions for each year.

## GRANT WOOD AREA EDUCATION AGENCY 10

### Notes to Financial Statements

June 30, 2004

#### (8) Interfund Transfers

Interfund transfers for the year ended June 30, 2004, consisted of the following:

Transfer to debt service fund from general fund for debt service payments	\$ 286,000
Transfer to capital projects fund from general fund for purchase of equipment	<u>51,996</u>
	<u>\$ 337,996</u>

#### (9) Risk Management

Grant Wood Area Education Agency 10 is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### (10) Commitments and Contingencies

Employee benefits - Employees accumulate sick pay based upon months of service. Unused sick days may be carried forward until needed by the employee. Upon termination, retirement or death, unused days are forfeited; therefore no accrual is required.

Post employment benefits - The Agency has adopted an early retirement program for its employees. To be eligible, an employee must (1) have 20 years of continuous service, (2) not be receiving disability payments, and (3) be neither more than 62 nor less than 55 years of age on June 30 of the calendar year in which retirement is to begin. The retirement benefit is calculated based on 50% of the highest three years compensation. The retirement benefit shall be paid in either a lump sum payment or payable over a two-year period (lump sum only beginning in 2004). The Agency also provides health care and life insurance benefits up to the age of 65. The cost of retiree health care and life insurance benefits is recognized as claims and premiums are paid. In the event of death of the employee prior to the payment of the retirement benefit, a lump sum payment of the amount due shall be made to the designated beneficiary. Early retirement benefits paid to sixteen participants during the year ended June 30, 2004 totaled \$411,615. Health care and life insurance claims and premiums paid totaled \$43,039.

Litigation - The Agency is a defendant in a judicial appeal of a special education claim with a student. The appeal seeks appropriateness of educational planning and a request for attorney fees. The amount of liability, if any, from the outcome of this claim cannot presently be estimated.

This information is an integral part of the accompanying financial statements.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**GRANT WOOD AREA EDUCATION AGENCY 10**

**Statement of Revenues, Expenditures, and Changes in Balances -  
Budget and Actual  
All Governmental Funds**

**Year Ended June 30, 2004**

	<u>Actual</u>	<u>Budget</u>		<u>Final to Actual Variance- Favorable (Unfavorable)</u>
		<u>Original</u>	<u>Final</u>	
Revenues:				
Local sources	\$ 13,037,224	\$ 12,406,100	\$ 12,211,300	\$ 825,924
State sources	10,300,970	11,803,000	11,310,200	(1,009,230)
Federal sources	<u>13,003,285</u>	<u>10,970,500</u>	<u>12,878,900</u>	<u>124,385</u>
Total revenues	<u>36,341,479</u>	<u>35,179,600</u>	<u>36,400,400</u>	<u>(58,921)</u>
Expenditures:				
Instruction	2,935,981	2,294,450	2,650,000	(285,981)
Student support services	20,282,887	19,554,300	20,350,600	67,713
Instructional staff support services	4,792,394	5,372,100	5,346,600	554,206
General administration	1,052,261	1,575,000	1,288,500	236,239
Building administration	1,413,081	1,277,800	1,399,300	(13,781)
Business administration	1,006,928	521,800	995,100	(11,828)
Plant operations and maintenance	891,464	851,700	1,100,000	208,536
Central and other support services	3,377,635	3,393,100	2,795,300	(582,335)
Noninstructional programs	678	43,500	50,000	49,322
Debt service	287,408	295,850	325,000	37,592
Capital outlay	<u>51,996</u>	<u>-</u>	<u>100,000</u>	<u>48,004</u>
Total expenditures	<u>36,092,713</u>	<u>35,179,600</u>	<u>36,400,400</u>	<u>307,687</u>
Excess of revenues over expenditures	248,766	-	-	248,766
Other financing uses, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	248,766	-	-	248,766
Balance beginning of year	<u>3,350,841</u>	<u>3,853,560</u>	<u>3,350,841</u>	<u>-</u>
Balance, end of year	<u>\$ 3,599,607</u>	<u>\$ 3,853,560</u>	<u>\$ 3,350,841</u>	<u>\$ 248,766</u>

See accompanying independent auditor's report.

## **GRANT WOOD AREA EDUCATION AGENCY 10**

### **Note to Required Supplementary Information - Budgetary Reporting**

**June 30, 2004**

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure/expense level, not at the fund or fund type level. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

## **OTHER SUPPLEMENTARY INFORMATION**



## GRANT WOOD AREA EDUCATION AGENCY 10

## Schedule 1

**Combining Balance Sheet  
Nonmajor Governmental Funds**

**June 30, 2004**

<b>Assets</b>	<b>Special Revenue</b>			<b>Debt Service</b>	<b>Total</b>
	<b><u>Pool Transportation</u></b>	<b><u>Juvenile Home</u></b>	<b><u>Off-site Programs</u></b>		
Cash and pooled investments	\$ 144,543	\$ 69,052	\$ -	\$ 568,489	\$ 782,084
Receivables:					
Accounts	<u>-</u>	<u>-</u>	<u>1,269,400</u>	<u>-</u>	<u>1,269,400</u>
Total assets	<u>\$ 144,543</u>	<u>\$ 69,052</u>	<u>\$1,269,400</u>	<u>\$ 568,489</u>	<u>\$2,051,484</u>
 <b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	\$ 3,102	\$ 4,862	\$ -	\$ 7,964
Salaries and benefits payable	-	42,972	86,228	-	129,200
Deferred revenue	-	22,978	-	-	22,978
Interfund payable	<u>-</u>	<u>-</u>	<u>1,059,485</u>	<u>-</u>	<u>1,059,485</u>
Total liabilities	<u>-</u>	<u>69,052</u>	<u>1,150,575</u>	<u>-</u>	<u>1,219,627</u>
Fund Balances:					
Reserved:					
Phase III	-	-	-	-	-
Technology	-	-	-	-	-
Debt service	-	-	-	291,902	291,902
Unrestricted	<u>144,543</u>	<u>-</u>	<u>118,825</u>	<u>276,587</u>	<u>539,955</u>
Total fund balances	<u>144,543</u>	<u>-</u>	<u>118,825</u>	<u>568,489</u>	<u>831,857</u>
Total liabilities and fund balances	<u>\$ 144,543</u>	<u>\$ 69,052</u>	<u>\$1,269,400</u>	<u>\$ 568,489</u>	<u>\$2,051,484</u>

See accompanying independent auditor's report.

**GRANT WOOD AREA EDUCATION AGENCY 10**

**Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances -  
Nonmajor Governmental Funds**

**Year Ended June 30, 2004**

	<b>Special Revenue</b>		
	<b><u>Pool</u></b>	<b><u>Juvenile</u></b>	<b><u>Off-site</u></b>
<b>Revenues:</b>	<b><u>Transportation</u></b>	<b><u>Home</u></b>	<b><u>Programs</u></b>
Local sources	\$ 25,350	\$ 5,929	\$ 1,697,109
State sources	-	717,951	-
Federal sources	-	-	-
Total revenues	<u>25,350</u>	<u>723,880</u>	<u>1,697,109</u>
<b>Expenditures:</b>			
Instruction	-	685,614	1,644,847
General administration	-	38,266	-
Debt service	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>723,880</u>	<u>1,644,847</u>
Excess (deficiency) of revenues over (under) expenditures	25,350	-	52,262
Other financing sources:			
Transfers in	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	25,350	-	52,262
Fund balances, beginning of year	<u>119,193</u>	<u>-</u>	<u>66,563</u>
Fund balances, end of year	<u>\$ 144,543</u>	<u>\$ -</u>	<u>\$ 118,825</u>

## Schedule 2

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ -	\$ 1,728,388
-	-	717,951
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>2,446,339</u>
-	-	2,330,461
-	-	38,266
287,408	-	287,408
<u>-</u>	<u>51,996</u>	<u>51,996</u>
<u>287,408</u>	<u>51,996</u>	<u>2,708,131</u>
(287,408)	(51,996)	(261,792)
<u>286,000</u>	<u>51,996</u>	<u>337,996</u>
(1,408)	-	76,204
<u>569,897</u>	<u>-</u>	<u>755,653</u>
<u>\$ 568,489</u>	<u>\$ -</u>	<u>\$ 831,857</u>

See accompanying independent auditor's report.

## GRANT WOOD AREA EDUCATION AGENCY 10

## Schedule 3

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Funds

Year Ended June 30, 2004

	(as restated) Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2004</u>
<b>Assets</b>				
Accounts receivable	\$ 762,156	\$2,635,467	\$2,665,153	\$ 732,470
Due from other governments	202,012	642,367	521,496	322,883
Interfund receivable	1,149,594	3,186,649	3,162,035	1,174,208
Equipment, net	<u>-</u>	<u>14,484</u>	<u>2,897</u>	<u>11,587</u>
<b>Total assets</b>	<u>\$2,113,762</u>	<u>\$6,478,967</u>	<u>\$6,351,581</u>	<u>\$2,241,148</u>
<b>Liabilities</b>				
Accounts payable	\$ 501,056	\$2,326,564	\$2,188,598	\$ 639,022
Salaries and benefits payable	17,101	640,112	635,707	21,506
Accrued other	-	137,403	137,403	-
Interfund payable	200,498	-	200,498	-
Deferred revenue	545,742	1,744	-	547,486
Deposits held in custody for others	<u>849,365</u>	<u>183,769</u>	<u>-</u>	<u>1,033,134</u>
<b>Total liabilities</b>	<u>\$2,113,762</u>	<u>\$3,289,592</u>	<u>\$3,162,206</u>	<u>\$2,241,148</u>

See accompanying independent auditor's report.

**GRANT WOOD AREA EDUCATION AGENCY 10****Schedule 4****Schedule of Revenues by Source and Expenditures by Function -  
All Governmental Fund Types****For the Last Four Years**

	<b><u>Years Ended June 30,</u></b>			
	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>
Revenues:				
Local sources	\$ 13,037,224	\$ 12,209,133	\$ 11,696,661	\$ 12,103,600
State sources	10,300,970	11,591,250	12,315,824	11,676,799
Federal sources	<u>13,003,285</u>	<u>10,971,592</u>	<u>8,943,745</u>	<u>7,402,194</u>
Total revenues	<u>\$ 36,341,479</u>	<u>\$ 34,771,975</u>	<u>\$ 32,956,230</u>	<u>\$ 31,182,593</u>
Expenditures:				
Instruction	\$ 2,935,981	\$ 2,552,239	\$ 2,118,616	\$ 2,092,620
Student support services	20,282,887	19,352,674	17,854,011	16,197,220
Instructional staff support services	4,792,394	4,671,453	4,964,877	4,776,570
General administration	1,052,261	1,169,882	1,339,004	1,465,115
Building administration	1,413,081	1,262,465	1,261,330	1,370,224
Business administration	1,006,928	1,131,737	1,058,055	1,013,489
Plant operations and maintenance	891,464	1,022,349	844,929	665,166
Central and other support services	3,377,635	2,806,745	3,534,387	2,714,479
Noninstructional programs	678	31,145	32,558	238
Debt service	287,408	288,311	415,756	393,507
Capital outlay	<u>51,996</u>	<u>95,641</u>	<u>1,383,963</u>	<u>322,156</u>
Total expenditures	<u>\$ 36,092,713</u>	<u>\$ 34,384,641</u>	<u>\$ 34,807,486</u>	<u>\$ 31,010,784</u>

See accompanying independent auditor's report.

**GRANT WOOD AREA EDUCATION AGENCY 10****Schedule 5****Schedule of Expenditures of Federal Awards****Year Ended June 30, 2004**

<b><u>Grantor/Program Title</u></b>	<b><u>CFDA Number</u></b>	<b><u>Pass- Through Grantor's Number</u></b>	<b><u>Expenditures</u></b>
Direct:			
U.S. Department of Education:			
Special Education - Research and Innovation to Improve Services and Results for Children with Disabilities	84.324		
High School Tech - College		H324R000064	\$ 28,671
Super Seniors - South		H324R010020	168,942
Super Seniors - North		H324M010097	161,772
			<u>359,385</u>
Indirect:			
U.S. Department of Education:			
Iowa Department of Education:			
Special Education - Grants to States	84.027*		
Preschool Handicapped Program		030410	7,926,833
Supplemental Support Services		3K72-10	221,466
Diagnostic and Evaluation			
Entitlement Program		3K71-10	48,170
Success 4		3K75-10	100,477
Parent Educator Partnership		037410	93,185
Information management systems		3K70-10	257,457
Paraeducator training project		3K76-10	8,501
IDEA - Flowthrough to LEA		030410	2,433,175
			<u>11,089,264</u>
Special Education - Preschool Grants	84.173	03619-10	<u>406,859</u>
Special Education - Grants for Infants and Families with Disabilities:	84.181		
Part C - Infant & Toddler		C03-10	<u>239,654</u>
Special Education - State Program Improvement Grants for Children with Disabilities	84.323		
SIG/IEP Initiative		3IEP-10	<u>25,557</u>

(continued)

**GRANT WOOD AREA EDUCATION AGENCY 10****Schedule 5****Schedule of Expenditures of Federal Awards****Year Ended June 30, 2004**

<b><u>Grantor/Program Title</u></b>	<b><u>CFDA Number</u></b>	<b><u>Pass- Through Grantor's Number</u></b>	<b><u>Expenditures</u></b>
Perkins Vocational Education	84.048		<u>315,273</u>
Title I Accountability Grants	84.348	Gates- DDL66502	<u>86,004</u>
English Language Acquisition Grants	84.365		<u>48,840</u>
Education Technology State Grants (Enhancing Education Through Technology Programs)	84.318X	E2T2	<u>482,951</u>
Iowa Department of Corrections: Special Education - Grants to States Inmate Screening	84.027*	99301	<u>92,679</u>
Iowa Public Television: Star Schools	84.203	Peitzman Eastman	64,042 <u>41,683</u> <u>105,725</u>
<b>Total</b>			<u><u>\$13,252,191</u></u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Grant Wood Area Education Agency 10 and is presented on the modified accrual basis. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

\* Total expenditures for CFDA Number 84.027 were \$11,181,943.

See accompanying independent auditor's report.

**Independent Auditor's Report Internal Control Over  
Financial Reporting and on Compliance and Other  
Matters Based on Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

Board of Directors  
Grant Wood Area Education Agency 10  
Cedar Rapids, Iowa

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Grant Wood Area Education Agency 10 as of and for the year ended June 30, 2004, which collectively comprise Grant Wood Area Education Agency 10's basic financial statements and have issued our report thereon dated September 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Grant Wood Area Education Agency 10's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control over financial reporting that we have reported to management of Grant Wood Area Education Agency 10 in a separate letter dated September 24, 2004.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Grant Wood Area Education Agency 10's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Grant Wood Area Education Agency 10, and other parties to whom Grant Wood Area Education Agency 10 may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Grant Wood Area Education Agency 10 during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Clifton Gundersen LLP*

Cedar Rapids, Iowa  
September 24, 2004

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

Board of Directors  
Grant Wood Area Education Agency 10  
Cedar Rapids, Iowa

**Compliance**

We have audited the compliance of Grant Wood Area Education Agency 10 with the types of compliance requirements described in *the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Grant Wood Area Education Agency 10's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Grant Wood Area Education Agency 10's management. Our responsibility is to express an opinion on Grant Wood Area Education Agency 10's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grant Wood Area Education Agency 10's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Grant Wood Area Education Agency 10's compliance with those requirements.

In our opinion, Grant Wood Area Education Agency 10 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

**Internal Control Over Compliance**

The management of Grant Wood Area Education Agency 10 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Grant Wood Area Education Agency 10's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Grant Wood Area Education Agency 10, and other parties to whom Grant Wood Area Education Agency 10 may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Gunderson LLP*

Cedar Rapids, Iowa  
September 24, 2004

## **GRANT WOOD AREA EDUCATION AGENCY 10**

### **Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2004**

#### **Section IV - Other Findings Related to Required Statutory Reporting**

- IV-A-04 Official Depository - A resolution naming official depositories has been adopted by the Agency. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- IV-B-04 Budget - Expenditures during the year ended June 30, 2004 did not exceed the amount budgeted.
- IV-C-04 Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-D-04 Travel Expense - No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- IV-E-04 Business Transactions - No business transactions between the Agency and Agency officials and/or employees were noted.
- IV-F-04 Bond Coverage - Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-G-04 Board Minutes - No transactions requiring Board approval were noted which had not been approved.
- IV-H-04 Deposits and Investments - The Agency complied with the provisions of Chapter 12B and Chapter 12C of the Code of Iowa.
- IV-I-04 Certified Annual Report - The Certified Annual Report (CAR) was filed with the Department of Education timely. We noted no significant discrepancies in the amounts reported.

**GRANT WOOD AREA EDUCATION AGENCY 10**

**Corrective Action Plan for Federal Audit Findings**

**Year Ended June 30, 2004**

<b><u>Comment Number</u></b>	<b><u>Comment Title</u></b>	<b><u>Corrective Action Plan</u></b>	<b><u>Contact Person, Title Phone Number</u></b>	<b><u>Anticipated Date of Completion</u></b>
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There were no comments made regarding reportable conditions or non-compliance with federal awards.

**GRANT WOOD AREA EDUCATION AGENCY 10**

**Summary Schedule of Prior Federal Audit Findings**

**Year Ended June 30, 2004**

<b><u>Comment Reference</u></b>	<b><u>Comment Title</u></b>	<b><u>Status</u></b>	<b><u>If not corrected, provide planned corrective action or other explanation.</u></b>
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There were no prior year federal audit findings.

**GRANT WOOD AREA EDUCATION AGENCY 10**

**Audit Staff**

This audit was performed by:

Robert L. Poundstone, CPA, Partner

Michele M. Matt, CPA, Manager

Tim Wood, CPA, Senior Associate

Jim Fitzpatrick, Associate

Justin Zimmerman, Associate